

AGRICULTURAL OUTLOOK



2 Commodity Briefs

Field Crops: Early Outlook Points to Smaller Cotton Crop • Cotton Marketing Loan Program Shifts Away from Imports

Livestock, Dairy & Poultry: U.S. Meat Trade Picture Mixed

Specialty Crops: Sugar Beet Crop to Outpace 1996/97 Despite Flooding



9 Commodity Spotlight

"Green" Industry Grower Receipts to Exceed \$11 Billion
Doyle Johnson

11 World Agriculture & Trade

U.S. Processed Food Trade Continues to Expand
Fred J. Ruppel, Charles R. Handy, & Margaret A. Malanoski

14 Food & Marketing

The Influence of Income on Global Food Spending
Birgit Meade & Stacey Rosen



18 Special Article

WTO Accession for China & Taiwan: Potential Trade Impacts
Michael Lopez & Zhi Wang

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China, Taiwan, & the WTO...Income & Global Food Spending ... Processed Food Trade... & the "Green" Industry

China, Taiwan & WTO Accession: Potential Benefits

Integration of China and Taiwan into the World Trade Organization's (WTO's) global trading system would significantly expand world trade and GDP, according to analysis by USDA's Economic Research Service. Both China and Taiwan as well as the U.S. would benefit, mainly because the three countries' resource endowments are complementary in the trade arena.

Because of China's comparative abundance of labor, induction into the WTO would permit it to further expand production of labor-intensive manufactured goods, notably textiles and apparel. China's net agricultural imports would increase significantly as rising incomes stimulate demand for more varied and higher quality foods, as labor and other resources shift out of farming to labor-intensive manufacturing, and as textile production expands. The U.S., with abundant arable land, would expand its food and agricultural exports, particularly to China. Nongrain crops (notably cotton) and processed foods would gain the most.

U.S. Processed Food Trade Advances

U.S. processed food and beverage trade rose to a record \$58 billion in 1996 and is expected to record further gains in 1997. Exports in 1996 surpassed \$30 billion, up 3 percent, even as global food safety concerns slowed exports of beef in the latter half of the year. But pork and poultry exports continued their strong advances. A healthy U.S. economy and strong demand for a variety of food items drove imports to nearly \$28 billion in 1996, an 11-percent gain over 1995.

Income Levels Affect Global Food Spending

Knowledge of the forces that help determine food spending patterns can improve predictions of future demand for agricultural commodities and of subsequent shifts in international trade flows and price levels. ERS studied 51 countries,



home to 2.5 billion of the world's 5.8 billion people, to compare spending and consumption patterns and their relationship to income. Comparisons confirmed that, as incomes rise, a smaller share of expenditures is devoted to food. The study data also confirmed the association of rising incomes with more diverse diets, increase in caloric intake to a point of satiation, and consumption of higher value foods such as meats.

Over the next decade and beyond, economic growth, coupled with high rates of population growth and urbanization, is expected to fuel demand for food and stimulate diet diversification in low- and middle-income countries, creating potential opportunities for increased agricultural exports to these countries.

Cotton Exports Up in 1997/98, But Stocks Building

U.S. cotton exports are projected up slightly at 7.3 million bales, despite a smaller U.S. crop, as reduced foreign supplies afford the U.S. additional export opportunities. Production is expected at 18.5 million 480-pound bales, compared with 18.9 million in 1996. Cotton stocks, projected at 4 million bales at the end of

the 1996/97 season, are the highest in 4 years and are expected to increase again by the end of 1997/98 despite higher expected domestic mill use and exports.

At the beginning of May, USDA suspended import quotas permitted under Step 3 of the U.S. marketing loan program, ending 80 consecutive weeks of Step 3 quotas. During March-December 1996, cotton imports totaled more than 700,000 bales, compared with 1,000 to 20,000 bales per year during the preceding decade. This was the result of an unusually high price premium for U.S. cotton combined with additional import quotas under Step 3. The 2-year jump in U.S. cotton imports is expected to cease in 1997/98.

"Green" Industry Grower Receipts To Surpass \$11 Billion

The U.S. leads the world in production and marketing of flowers, cut foliage, potted plants, bedding plants and other nursery crops, and turfgrass—known collectively as the "green" industry. U.S. growers' cash receipts for these products are projected to reach \$11.3 billion in 1997, an increase of 6 percent over last year. For floral and potted plants, the value of domestic production has grown only modestly over the past decade compared with the value of imports, which have risen sharply over the same period. Since 1994, the value of imports of these products at port of entry has increased about \$100 million every year, driven primarily by cut flowers.

The U.S. ranks 12th in the world for per capita expenditures on indoor flowers/plants. However, Americans spend a far greater amount on outdoor landscaping plants (environmental horticulture) than do their counterparts in Europe or Asia. Industry analysts believe U.S. consumers are spending 2-3 times more on outdoor plants/flowers than consumers in other developed countries. And U.S. consumers spend over twice as much on landscaping products as on floriculture items at retail outlets (\$37 billion vs. \$16 billion projected for 1997).